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SECOND GEN RE EXECUTIVE PLEADS GUILTY IN FRAUD SCHEME AND AGREES TO COOPERATE WITH INVESTIGATION

WASHINGTON, D.C. - Acting Assistant Attorney General John C. Richter of the Criminal Division and U.S. Attorney Paul J. McNulty of the Eastern District of Virginia announced today that Richard Napier, the former Senior Vice President of Gen Re Corporation, has pleaded guilty to a charge of conspiracy to falsify SEC filings as part of a scheme to fraudulently enable American International Group, Inc. to report increased insurance reserves.

Napier, 53, a Connecticut resident, entered the plea this morning at U.S. District Court in Alexandria, Virginia. As part of his plea and cooperation agreement with the government, Napier has agreed to cooperate fully and truthfully with an ongoing criminal investigation. The maximum penalty for a conviction of conspiracy is five years in prison and a fine of \$250,000 or twice any gain or loss. Sentencing is scheduled for Dec. 9, 2005.

According to documents filed as part of the plea agreement, Napier was a Senior Vice President at Gen Re's Connecticut headquarters whose responsibilities included managing relations with AIG, one of Gen Re's largest clients. Gen Re is itself a subsidiary of Berkshire Hathaway, Inc.

As part of his plea, Napier admitted aiding and abetting AIG's submission to the SEC of fraudulent filings. As detailed in the filed documents, in October 2000, Napier knew that high-level executives, including the chief executive officers of both Gen Re and AIG, instigated a sham transaction in which he participated in order to enable AIG to book \$500 million in reinsurance reserves, even though AIG assumed no real risk in the transaction. Napier was told that AIG wanted the transaction in response to stock market and insurance industry analysts' criticism of AIG's previous reduction of reserves. He was also reminded that the transaction was highly confidential and to "keep the circle of people involved in this as tight as possible."

Napier and others created a "paper trail" which included the creation of a sham offer letter to make it appear that Cologne Re Dublin (CRD), a Gen Re subsidiary, had asked AIG to assume certain reinsurance risk. The underlying contracts made it appear that AIG was being paid an upfront fee of \$10 million for taking on CRD's reinsurance risk when, in fact, AIG was actually paying Gen Re \$5 million plus interest for participating in the transactions. The deal was purposefully handled by CRD, which is located outside of the United States, so that it would not be apparent that Gen Re and AIG were booking the transaction in inconsistent ways. AIG improperly added \$250 million in reinsurance reserves to its financial reports in both the last quarter of 2000 and the first quarter of 2001. These entries were reversed and restated in AIG's recent SEC filing.

AIG paid Gen Re the \$5 million by generating extra money for Gen Re in an otherwise unrelated transaction involving an AIG subsidiary, the Hartford Steam Boiler Company.

In a related civil case brought by the SEC, Napier consented to the entry of a judgment permanently enjoining him from future violations of the securities laws and barring him from serving as an officer or director of a public company.

Napier is the second Gen Re official to plead guilty in connection with the government's ongoing investigation. John Houldsworth, the former Chief Executive Officer of CRD, pleaded guilty to conspiracy to falsify SEC filings. Houldsworth, a resident of Ireland, has also agreed to cooperate fully and truthfully with the ongoing criminal investigation.

The investigation was conducted by the Fraud Section of the Criminal Division at the U.S. Department of Justice, the U.S. Attorney's Office for the Eastern District of Virginia, the U.S. Postal Inspection Service, and the SEC's New York Regional Office.

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